

# **FIRST-CLASS MAIL PRESORT LETTERS AND CARDS AND MARKETING MAIL PRESORT LETTERS COST MODELS USPS-FY19-10**

## **I. PREFACE**

### **A. Purpose and Content**

USPS-FY19-10 documents the First-Class Mail presort letters and cards mail-processing unit cost estimates and worksharing-related savings estimates, and the Marketing Mail presort letters mail-processing unit cost estimates.

### **B. Predecessor Documents**

Docket No. ACR2018; PRC-LR-ACR2018-3 FY 2018 - First-Class Mail

Docket No. ACR2018; Marketing Mail: PRC-LR-ACR2018-4 FY 2018 - USPS Marketing Mail

### **C. Corresponding Non-Public or Public Document**

There are no corresponding non-public documents.

### **D. Methodology and Changes**

The First-Class Mail presort letters and cards and Marketing Mail presort letters cost models rely on the Docket No. R2006-1 Postal Regulatory Commission (PRC) methodology and also incorporate the modifications described in Docket No. RM2011-5, Proposal Nine. The Proposal Nine modifications included updates to several cost model inputs, and a revised bundle sorting cost methodology that was approved by the Commission in Order No. 741.

The Postal Service proposed the addition of new mail processing cost pools in Docket No. RM2011-12, Proposal Five and Proposal Six. The Commission subsequently approved those proposals in Order No. 920. The USPS-FY11-26 cost by shape estimates therefore contained seven additional cost pools that needed to be distributed using the Commission's cost pool classification methodology.

Docket No. RM2012-1; Proposal Twelve, Order No. 1153 modified the mail processing cost model applicable to Standard mail (now Marketing Mail) presort letters to disaggregate the mail processing costs of Standard Mail non-automation machinable MAADC and AADC presort letters.

Docket No. RM2012-2, Proposal Seventeen, Order No. 1383 consolidated MODS operation groups associated with the productivity calculations for the DBCS/DIOSS

automated letter image reading and sorting operations. This change responded to changes in the definition of certain MODS operations.

Docket No. RM2012-2, Proposal Nineteen, Order No. 1383 modified the mail processing cost model applicable to the First-Class mail presort letters to develop separate cost estimates for the nonautomation machinable MAADC and the AADC categories.

Docket No. RM2014-1, Proposal Eight proposed to consolidate MODS operation groups associated with productivity calculations into Manual Incoming and Outgoing groups. The Commission issued Order No. 2076 (May 8, 2014), ruling on each modification. The Order No. 2076 ruling has been incorporated into the models filed in this ACR.

In Docket No. RM2018-10, Proposal Seven, the Postal Service presented a reorganization of the MODS, NDC, and NONMODS mail processing cost pools. The Commission subsequently approved Proposal Seven in Order No. 4855 (October 12, 2018). The cost pools presented in the 'CRA – Metered Letters', 'CRA – Presort Letters', 'CRA – Presort Cards' worksheets of the USPS-FY18-10 First-Class Mail and "CRA – Presort Letters" worksheet of the Marketing Mail letters mail processing cost models had been modified to comply with the Order No. 4855 methodology.

In Docket No. RM2019-1, Proposal Eight, the Postal Service proposed three modifications to the letter mail cost models. Modification 1 changed the mapping of the entry-point of automation MAADC mail from Outgoing Secondary to Outgoing Primary to reflect current operating flows. Modification 2 corrected the Delivery Barcode Sorter Input/Output Sub-System (DIOSS) operations' treatment of rejects to that of traditional OSS/ISS operations for treatment of pieces flowing to manual operations and to OSS operations. Modification 3 proposed a new calculation of the benchmark for USPS Marketing Mail automation MAADC rate category to determine the value of the barcode. The Commission issued Order No. 4894 (November 28, 2018) approving each proposed modification.

Similar to USPS-FY18-10 (Docket No. ACR2018) letter cost models, manual letter productivities from USPS-FY15-23 (Docket No. ACR2015) had to be used for USPS-FY19-10 models. See preface to USPS-FY19-23 for details.

## **E. Inputs/Outputs**

### **Input Source**

USPS-FY19-7

### **Input Description**

Volume variability factors  
Premium pay factors  
Wage rates

USPS-FY19-14	Mail Characteristics Data
USPS-FY19-19	Delivery costs by shape, Collection costs
USPS-FY19-23	MODS productivity data
USPS-FY15-23	Manual Operations MODS productivity data
USPS-FY19-24	Piggyback factors
USPS-FY19-25	Operation-specific piggyback factors RCR cost data
USPS-FY19-26	Mail processing unit cost by shape estimates
Docket No. RM2011-5, Order No. 741	Automation density tables Manual density tables Plant carrier route finalization percentage Bundle sorting methodology Leakage Rate
2019 Carrier Piece Count (CPC) Data	Post office box destination percentage
2019 FAST Data	Incoming secondary percentages
2019 RBCS Data	RCR finalization rate
2019 WebEOR Data	Operation acceptance and reject rates
USPS-FY08-10	OSS Reject Rates
2008 Field Study	Bundle sorting productivity

#### **Output Document**

USPS-FY19-3	Discounts and passthrough values
USPS-FY19-19	Delivery Costs by Shape (DPS percentages)
USPS-FY19-21	QBRM and BRM Costs
USPS-FY19-30	Market-Dominant NSA Materials

## **II. ORGANIZATION**

USPS-FY19-10 contains two MS Excel workbooks: First-Class Mail and Marketing Mail letter cost models for the Annual Compliance Report are based on the latest Commission methodology.

The First-Class Mail workbook contains First-Class Mail presort letters and cards mail processing unit cost estimates, and the First-Class Mail Presort letters and cards worksharing-related savings estimates by price category. These estimates are developed using the Docket No. ACR2018 methodology.

The Marketing Mail workbook contains Marketing Mail presort letters mail processing unit cost estimates by price category. These estimates are developed using the Docket No. ACR2018 methodology.